

Nashua-Plainfield Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2004

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Nashua-Plainfield Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2003 Election)

Michael Mahoney	President	2005
Wayne Peterson	Vice President	2003
Brian Bierschenk	Board Member	2004
Gail Zwanziger	Board Member	2005
Kevin Benning	Board Member	2004

Board of Education

(After September 2003 Election)

Michael Mahoney	President	2005
Brian Bierschenk	Vice President	2004
Gail Zwanziger	Board Member	2005
Kevin Benning	Board Member	2004
Deb Thoe	Board Member	2006

School Officials

Dr. Linda Johanningmeier	Superintendent	* 2004
Linda DeVries	District Secretary and Business Manager	2004
Gaylen Hassman	Attorney	2004

* Retired June 30, 2004

Independent Auditor's Report

To the Board of Education of
Nashua-Plainfield Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nashua-Plainfield Community School District, Nashua, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Nashua-Plainfield Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Nashua-Plainfield Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated August 18, 2004 on my consideration of Nashua-Plainfield Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nashua-Plainfield Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Keith Oltrogge", is centered within a light blue rectangular box.

Keith Oltrogge
Certified Public Accountant

August 18, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nashua-Plainfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,539,696 in fiscal 2003 to \$5,422,813 in fiscal 2004, while General Fund expenditures increased from \$5,308,291 in fiscal 2003 to \$5,531,865 in fiscal 2004. The District's General Fund balance decreased from \$307,731 in fiscal 2003 to \$198,679 in fiscal 2004, a 35% decrease.
- The decrease in General Fund revenues was attributable to a decrease in property tax and state revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and purchased services expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits increased for fiscal 2004. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- A decline in interest rates during the past year, combined with less cash available to be invested, resulted in interest earnings to the General Fund alone decreasing from \$27,978 in fiscal 2003 to \$8,460 in fiscal 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Nashua-Plainfield Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Nashua-Plainfield Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Nashua-Plainfield Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Nashua-Plainfield Community School District Annual Financial Report

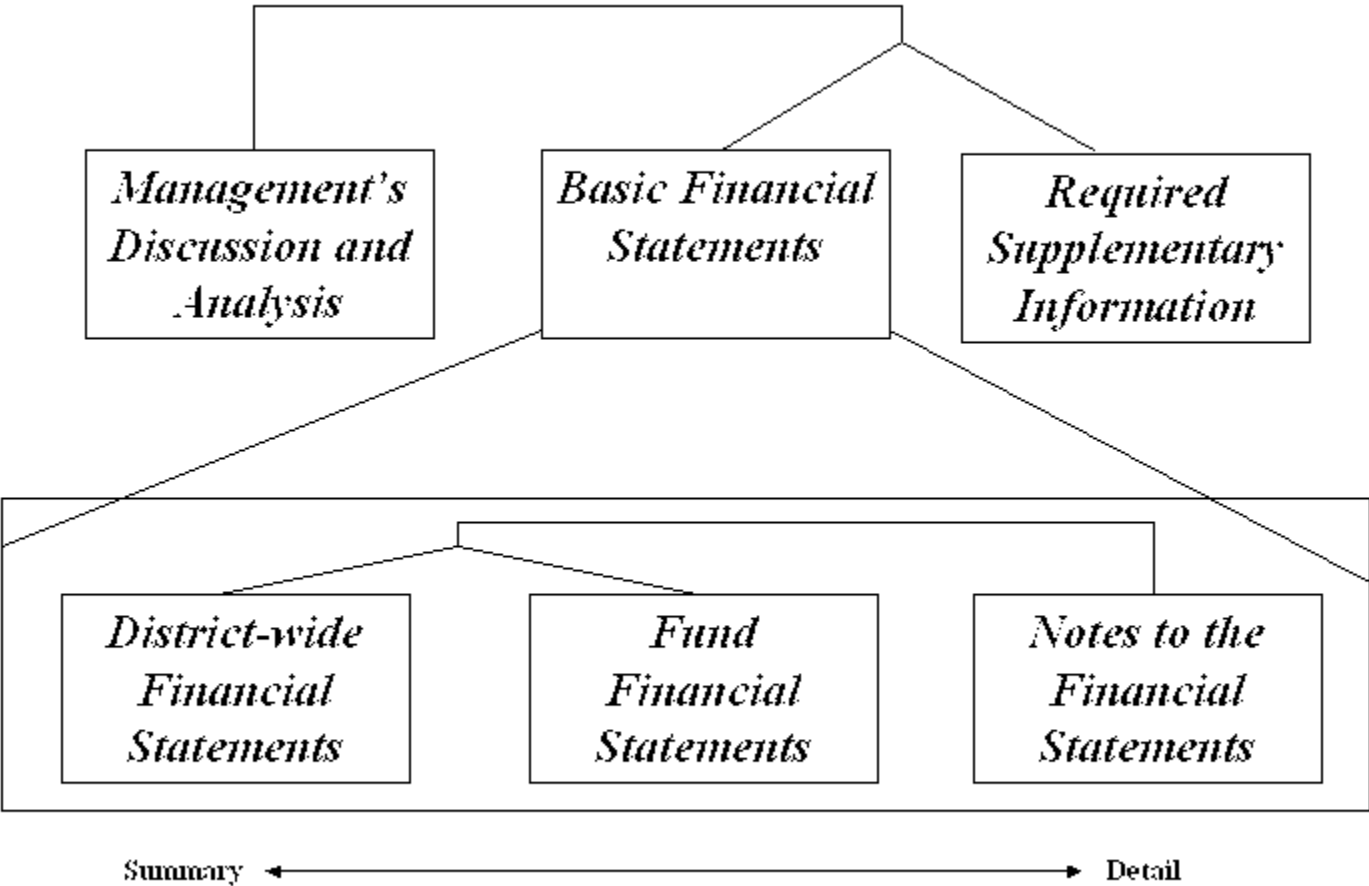


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$3,390,751	\$3,824,269	\$65,934	\$60,605	\$3,456,685	\$3,884,874	-11.0%
Capital assets	2,123,705	2,061,566	1,589	2,855	2,125,294	2,064,421	2.9%
Total assets	\$5,514,456	\$5,885,835	\$67,523	\$63,460	\$5,581,979	\$5,949,295	-6.2%
Long-term liabilities	\$51,993	\$52,417	\$-	\$-	\$51,993	\$52,417	-0.8%
Other liabilities	2,922,185	3,397,115	18,870	17,349	2,941,055	3,414,464	-13.8%
Total liabilities	\$2,974,178	\$3,449,532	\$18,870	\$17,349	\$2,993,048	\$3,466,881	-13.7%
Net assets:							
Invested in capital assets, net of related debt	\$2,123,705	\$2,061,566	\$1,589	\$2,855	\$2,125,294	\$2,064,421	2.9%
Restricted	-199	86,709	-	-	-199	86,709	0.2%
Unrestricted	416,772	288,028	47,064	43,256	463,836	331,284	40.0%
Total net assets	\$2,540,278	\$2,436,303	\$48,653	\$46,111	\$2,588,931	\$2,482,414	4.3%

The District's combined net assets increased by nearly 2.9%, or \$60,873, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., buildings and equipment), less the related debt".

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by \$86,908 over the prior year. The decrease was primarily a result of the Management Fund being classified as unrestricted for 2004.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$428,189, or 11%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$616,833	\$165,433	\$782,266
Operating grants, contributions and restricted interest	635,491	125,359	760,850
Capital grants, contributions and restricted interest	79,198	-	79,198
General revenues:			
Property tax	2,001,606	-	2,001,606
Local option sales and service tax	171,726	-	171,726
Unrestricted state grants	2,630,642	-	2,630,642
Unrestricted investment earnings	9,683	587	10,270
Other	1,302	-	1,302
Total revenues	\$6,146,481	\$291,379	\$6,437,860
Program expenses:			
Governmental activities:			
Instruction	\$4,106,720	\$-	\$4,106,720
Support services	1,555,393	-	1,555,393
Non-instructional programs	1,910	288,837	290,747
Other expenses	378,483	-	378,483
Total expenses	\$6,042,506	\$288,837	\$6,331,343
Change in net assets	\$103,975	\$2,542	\$106,517

Property tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,146,481 and expenses were \$6,042,506. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
**Total and Net Cost of
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$4,106,720	\$3,105,101
Support services	1,555,393	1,529,864
Non-instructional programs	1,910	1,910
Other expenses	378,483	74,109
Totals	\$6,042,506	\$4,710,984

- The cost financed by users of the District's programs was \$616,833.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$635,491.
- The net cost of governmental activities was financed with \$2,173,332 in property and other taxes and \$2,630,642 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$291,379 and expenses were \$288,837. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District left meal prices at the same rate as in the past three years. The District has obligated for replacement of the oven and other equipment at the High School Building in the next fiscal year.

INDIVIDUAL FUND ANALYSIS

As previously noted, Nashua-Plainfield Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,540,278, well above last year's ending fund balances of \$2,436,303.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Decrease during the year in tax and grants resulted in a decrease in revenues. The decrease in revenues and increase in General Fund expenditures required the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$307,731 to \$198,679, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$3,807 in fiscal 2003 to \$84,239 in fiscal 2004. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to improve the financial condition of the fund.
- The Capital Projects Fund balance increased due to the collection of the local option sales tax during fiscal 2004. At June 30, 2004, the \$47,300 fund balance was unspent local option sales tax money.

Proprietary Fund Highlights

- School Nutrition Fund net assets increased from \$46,111 at June 30, 2003 to \$48,653 at June 30, 2004, representing an increase of approximately 5%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Nashua-Plainfield Community School District amended its annual budget one time to reflect additional expenditures associated with the increased cost of salaries, special education, open enrollment and activity fund in the Instruction function. In the Other Expenditures function, the cost of a retaining wall, concession stand and the Plainfield window project were increased expenditures.

The District's receipts were \$69,449 less than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving more in state aid than originally anticipated.

Total General Fund expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$2,125,294, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$124,245.

The original cost of the District's capital assets was \$8,869,400. Governmental funds account for \$8,854,193, with the remainder of \$15,207 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$266,196	\$266,196	\$-	\$-	\$266,196	\$266,196	0%
Buildings	1,645,313	1,655,879	-	-	1,645,313	1,655,879	-0.6%
Improvements other than buildings	19,610	20,700	-	-	19,610	20,700	-5.3%
Furniture and equipment	192,586	118,791	1,589	2,855	194,175	121,646	59.6%
Totals	\$2,123,705	\$2,061,566	\$1,589	\$2,855	\$2,125,294	\$2,064,421	2.9%

Long-Term Debt

Figure A-7
Outstanding Long-term Obligations

	Total District	Total Change
	June 30,	June 30,
	2004	2003
Early Retirement	\$51,993	\$52,417
		-0.8%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District is evaluating the possibility of a roof replacement project at the High School and/or the Elementary Building.
- Fiscal 2004 was the last year of a two-year contract with the NPEA and NPESSE. The District will negotiate a new agreement during fiscal 2005. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda DeVries, District Secretary and Business Manager, Nashua-Plainfield Community School District, 612 Greeley Street, Nashua IA 50658.

Basic Financial Statements

Nashua-Plainfield Community School District

Statement of Net Assets

June 30, 2004

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
ISCAP	\$ 338,827	\$ -	\$ 338,827
Other	916,612	56,512	973,124
Receivables:			
Property tax:			
Delinquent	31,301	-	31,301
Succeeding year	2,012,762	-	2,012,762
Accounts	16,744	-	16,744
Accrued interest:			
Other	1,183	56	1,239
Due from other funds	-	283	283
Due from other governments	73,322	-	73,322
Inventories	-	9,083	9,083
Capital assets, net of accumulated depreciation	2,123,705	1,589	2,125,294
Total Assets	\$ 5,514,456	\$ 67,523	\$ 5,581,979
Liabilities			
Accounts payable	\$ 41,571	\$ -	\$ 41,571
Salaries and benefits payable	525,895	18,870	544,765
Due to other funds	283	-	283
Deferred revenue-succeeding year property tax	2,012,762	-	2,012,762
ISCAP warrants payable	337,000	-	337,000
Other current liabilities	4,674	-	4,674
Long-term liabilities:			
Portion due within one year:			
Early retirement	16,363	-	16,363
Portion due after one year:			
Early retirement	35,630	-	35,630
Total Liabilities	\$ 2,974,178	\$ 18,870	\$ 2,993,048
Net Assets			
Invested in capital assets, net of related debt	\$ 2,123,705	\$ 1,589	\$ 2,125,294
Restricted for:			
Other special revenue purposes	-199	-	-199
Unrestricted	416,772	47,064	463,836
Total Net Assets	\$ 2,540,278	\$ 48,653	\$ 2,588,931

See notes to financial statements.

Nashua-Plainfield Community School District

Statement of Activities

Year Ended June 30, 2004

		Program Revenues			
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	Expenses				
<u>Functions/Programs</u>					
Governmental Activities:					
Instruction:					
Regular instruction	\$ 2,783,150	\$ 307,363	\$ 286,747	\$ -	
Special instruction	779,077	-	93,678	-	
Other instruction	544,493	284,814	29,017	-	
	<u>\$ 4,106,720</u>	<u>\$ 592,177</u>	<u>\$ 409,442</u>	<u>\$ -</u>	
Support Services:					
Student services	\$ 208,976	\$ -	\$ -	\$ -	
Instructional staff services	54,679	-	-	-	
Administration services	557,402	-	-	-	
Operation and maintenance of plant services	446,863	-	-	-	
Transportation services	279,933	24,656	873	-	
Community services	7,540	-	-	-	
	<u>\$ 1,555,393</u>	<u>\$ 24,656</u>	<u>\$ 873</u>	<u>\$ -</u>	
Non-instructional programs	\$ 1,910	\$ -	\$ -	\$ -	
Other Expenditures:					
Facilities acquisition	\$ 153,307	\$ -	\$ -	\$ 79,198	
AEA flow-through	225,176	-	225,176	-	
	<u>\$ 378,483</u>	<u>\$ -</u>	<u>\$ 225,176</u>	<u>\$ 79,198</u>	
Total Governmental Activities	\$ 6,042,506	\$ 616,833	\$ 635,491	\$ 79,198	
Business Type Activities:					
Non-Instructional Programs:					
Food service operations	288,837	165,433	125,359	-	
Total	<u>\$ 6,331,343</u>	<u>\$ 782,266</u>	<u>\$ 760,850</u>	<u>\$ 79,198</u>	

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-2,189,040	\$	-	\$ -2,189,040
	-685,399		-	-685,399
	-230,662		-	-230,662
\$	-3,105,101	\$	-	\$ -3,105,101
\$	-208,976	\$	-	\$ -208,976
	-54,679		-	-54,679
	-557,402		-	-557,402
	-446,863		-	-446,863
	-254,404		-	-254,404
	-7,540		-	-7,540
\$	-1,529,864	\$	-	\$ -1,529,864
\$	-1,910	\$	-	\$ -1,910
\$	-74,109	\$	-	\$ -74,109
	-		-	-
\$	-74,109	\$	-	\$ -74,109
\$	-4,710,984	\$	-	\$ -4,710,984
	-		1,955	1,955
\$	-4,710,984	\$	1,955	\$ -4,709,029

Nashua-Plainfield Community School District

Statement of Activities

Year Ended June 30, 2004

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
General Revenues:			
Property Tax Levied For:			
General purposes			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total General Revenues			
Change in net assets			
Net assets beginning of year, as restated			
Net Assets End of Year			

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	1,890,124	\$	-	\$ 1,890,124
	111,482		-	111,482
	171,726		-	171,726
	2,630,642		-	2,630,642
	9,683		587	10,270
	1,302		-	1,302
\$	4,814,959	\$	587	\$ 4,815,546
\$	103,975	\$	2,542	\$ 106,517
	2,436,303		46,111	2,482,414
\$	2,540,278	\$	48,653	\$ 2,588,931

Nashua-Plainfield Community School District

Balance Sheet
Governmental Funds

June 30, 2004

	General	Non-major Special Revenue	Total
Assets			
Cash and Pooled Investments:			
ISCAP	\$ 338,827	\$ -	\$ 338,827
Other	644,277	272,335	916,612
Receivables:			
Property Tax:			
Delinquent	28,402	2,899	31,301
Succeeding year	1,837,117	175,645	2,012,762
Accounts	-	16,744	16,744
Accrued Interest:			
Other	1,055	128	1,183
Due from other governments	73,322	-	73,322
Total Assets	\$ 2,923,000	\$ 467,751	\$ 3,390,751
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 19,647	\$ 21,924	\$ 41,571
Salaries and benefits payable	525,895	-	525,895
Due to other funds	-	283	283
ISCAP warrants payable	337,000	-	337,000
Other current liabilities	4,674	-	4,674
Deferred Revenue:			
Succeeding year property tax	1,837,117	175,645	2,012,762
Total Liabilities	\$ 2,724,333	\$ 197,852	\$ 2,922,185
Fund Balances:			
Reserved	\$ 78	\$ -277	\$ -199
Unreserved	198,589	270,176	468,765
Total Fund Balances	\$ 198,667	\$ 269,899	\$ 468,566
Total Liabilities and Fund Balances	\$ 2,923,000	\$ 467,751	\$ 3,390,751

See notes to financial statements.

Nashua-Plainfield Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (page 16)	\$ 468,566
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	2,123,705
Long-term liabilities, including early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	-51,993
Net assets of governmental activities (page 13)	<u>\$ 2,540,278</u>

Nashua-Plainfield Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2004

	General	Non-Major Special Revenue	Total
Revenues:			
Local Sources:			
Local tax	\$ 1,814,232	\$ 185,377	\$ 1,999,609
Tuition	144,401	-	144,401
Other	195,145	458,908	654,053
Intermediate sources	-	-	-
State sources	3,073,335	185	3,073,520
Federal sources	195,700	79,198	274,898
Total Revenues	\$ 5,422,813	\$ 723,668	\$ 6,146,481
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 2,706,410	\$ 37,072	\$ 2,743,482
Special instruction	779,077	-	779,077
Other instruction	341,433	257,504	598,937
	\$ 3,826,920	\$ 294,576	\$ 4,121,496
Support Services:			
Student services	\$ 196,618	\$ 12,358	\$ 208,976
Instructional staff services	54,679	-	54,679
Administration services	563,966	1,359	565,325
Operation and maintenance of plant services	416,790	39,726	456,516
Transportation services	240,188	69,956	310,144
Community services	7,540	-	7,540
	\$ 1,479,781	\$ 123,399	\$ 1,603,180
Non-instructional programs	\$ -	\$ 1,910	\$ 1,910
Other Expenditures:			
Facilities acquisition	\$ -	\$ 153,307	\$ 153,307
AEA flow-through	225,176	-	225,176
	\$ 225,176	\$ 153,307	\$ 378,483
Total Expenditures	\$ 5,531,877	\$ 573,192	\$ 6,105,069
Excess (deficiency) of revenues over (under) expenditures	\$ -109,064	\$ 150,476	\$ 41,412
Other Financing Sources (Uses):			
Operating transfers in	\$ -	\$ 17,254	\$ 17,254
Operating transfers out	-	-17,254	-17,254
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -
Net change in fund balances	\$ -109,064	\$ 150,476	\$ 41,412
Fund balances beginning of year, as restated (Note 11)	307,731	119,423	427,154
Fund Balances End of Year	\$ 198,667	\$ 269,899	\$ 468,566

See notes to financial statements.

Nashua-Plainfield Community School District

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities

Year Ended June 30, 2004

Net change in fund balances – total governmental funds (page 18) \$ 41,412

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 185,118	
Depreciation expense	<u>-122,979</u>	62,139

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	11,536	
New retirements	<u>-11,112</u>	424

Change in Net Assets of Governmental Activities (page 15) \$ 103,975

Nashua-Plainfield Community School District

Statement of Net Assets
Proprietary Fund

June 30, 2004

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 56,512
Accounts receivable	56
Due from other funds	283
Inventories	9,083
Capital assets, net of accumulated depreciation	1,589
Total Assets	<u>\$ 67,523</u>
Liabilities	
Salaries and benefits payable	<u>\$ 18,870</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 1,589
Unrestricted	<u>47,064</u>
Total Net Assets	<u>\$ 48,653</u>

Nashua-Plainfield Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 165,433
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 102,367
Benefits	14,412
Purchased services	11,994
Supplies	158,798
Depreciation	1,266
Total operating expenses	\$ 288,837
Operating loss	\$ -123,404
Non-operating revenues:	
State sources	\$ 4,455
Federal sources	120,904
Interest income	587
Total non-operating revenues	\$ 125,946
Change in net assets	\$ 2,542
Net assets beginning of year	46,111
Net Assets End of Year	\$ 48,653

See notes to financial statements.

Nashua-Plainfield Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 165,150
Cash paid to employees for services	-114,638
Cash paid to suppliers for goods or services	-148,195
Net cash used by operating activities	<u>\$ -97,683</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 4,455
Federal grants received	96,621
Net cash provided by non-capital financing activities	<u>\$ 101,076</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 571</u>
Net increase in cash and cash equivalents	\$ 3,964
Cash and cash equivalents beginning of year	<u>52,548</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 56,512</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -123,404
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	17,229
Depreciation	1,266
Decrease in inventories	6,004
(Increase) in due from other funds	-283
(Increase) in accounts receivable	-16
(Decrease) in accounts payable	-440
Increase in salaries and benefits payable	<u>1,961</u>
Net Cash Used by Operating Activities	<u><u>\$ -97,683</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$24,283 of federal commodities.

Nashua-Plainfield Community School District

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Nashua-Plainfield Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Nashua and Plainfield, Iowa and portions of the predominately agricultural territories in Chickasaw, Butler, Bremer and Floyd Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The Plainfield attendance centers house classes for Grades K-8. Grades K-6 and 9-12 attend the Nashua attendance centers.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Nashua-Plainfield Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Nashua-Plainfield Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Due From and Due to Other Funds**

The detail of inter-fund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
Proprietary Fund: School Nutrition	Special Revenue: Student Activity	<u>\$283</u>

The Student Activity Fund is repaying the School Nutrition Fund for Senior Citizen's meals served. The balance will be repaid in 2005.

(4) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Physical Plant & Equipment Levy	Special Revenue: Capital Projects	<u>\$ 17,254</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Un-amortized Premium
2004-2005A	6-30-04	6-30-05	<u>\$ 338,827</u>	<u>\$ -</u>	<u>\$ 337,000</u>	<u>\$ -</u>	<u>\$ 4,674</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Series	Balance Beginning Of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ -	\$ 200,000	\$ 200,000	\$ -

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.00%	2.603%
2003-04B	2.00%	1.392%
2004-05A	3.00%	2.463%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning Of Year, as Restated (Note 11)	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 266,196	\$ -	\$ -	\$ 266,196
Total capital assets not being depreciated	\$ 266,196	\$ -	\$ -	\$ 266,196
Capital assets being depreciated:				
Buildings	\$ 4,985,557	\$ 64,417	\$ -	\$ 5,049,974
Improvements other than buildings	167,333	-	-	167,333
Furniture and equipment	3,249,989	120,701	-	3,370,690
Total capital assets being depreciated	\$ 8,402,879	\$ 185,118	\$ -	\$ 8,587,997
Less accumulated depreciation for:				
Buildings	\$ 3,329,678	\$ 74,983	\$ -	\$ 3,404,661
Improvements other than buildings	146,633	1,090	-	147,723
Furniture and equipment	3,131,198	46,906	-	3,178,104
Total accumulated depreciation	\$ 6,607,509	\$ 122,979	\$ -	\$ 6,730,488
Total capital assets being depreciated, net	\$ 1,795,370	\$ 62,139	\$ -	\$ 1,857,509
Governmental Activities Capital Assets, Net	\$ 2,061,566	\$ 62,139	\$ -	\$ 2,123,705

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 15,207	\$ -	\$ -	\$ 15,207
Less accumulated depreciation	12,352	1,266	-	13,618
Business Type Activities Capital Assets, Net	\$ 2,855	\$ -1,266	\$ -	\$ 1,589

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 89,403
Special	-
Other	2,720

Support services:

Instructional staff	-
Administration	3,830
Operation and maintenance of plant	1,242
Transportation	25,784
	\$ 122,979

Unallocated	-
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Total Depreciation Expense – Governmental Activities	\$ 122,979
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Business Type Activities:

Food service operations	\$ 1,266
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(7) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Early retirement	\$ 52,417	\$ 11,112	\$ 11,536	\$ 51,993	\$ 16,363

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 80% of the current year regular salary schedule, less any other additional pay. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Governmental Activities long-term debt section which represents the District's commitment to fund non-current early retirement.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$200,369, \$172,703 and \$182,363, respectively, equal to the required contributions for each year.

(9) Risk Management

Nashua-Plainfield Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$225,176 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund		
	General	Non-major Special Revenue	Total
Net assets June 30, 2003, as previously reported	\$ 307,731	\$ 119,423	\$ 427,154
GASB Interpretation 6 adjustments	-	-	-
Net Assets July 1, 2003, as Restated for Governmental Funds	<u>\$ 307,731</u>	<u>\$ 119,423</u>	<u>\$ 427,154</u>
GASB 34 Adjustments:			
Capital assets, net of accumulated depreciation of \$6,607,509			2,061,566
Long-Term Liabilities:			
Early retirement			<u>-52,417</u>
Net Assets July 1, 2003, as Restated			<u>\$ 2,436,303</u>

Required Supplementary Information

Nashua-Plainfield Community School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2004

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 2,798,063	\$ 166,020
Intermediate sources	-	-
State sources	3,073,520	4,455
Federal sources	274,898	120,904
Total Receipts	<u>\$ 6,146,481</u>	<u>\$ 291,379</u>
Disbursements:		
Instruction	\$ 4,121,496	\$ -
Support services	1,603,180	-
Non-instructional programs	1,910	288,837
Other expenditures	378,483	-
Total Disbursements	<u>\$ 6,105,069</u>	<u>\$ 288,837</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 41,412	\$ 2,542
Balances beginning of year	<u>427,154</u>	<u>46,111</u>
Balances End of Year	<u>\$ 468,566</u>	<u>\$ 48,653</u>

See accompanying independent auditor's report.

	Total Actual		Budgeted Original	Amounts Final		Final To Actual Variance
\$	2,964,083	\$	2,856,918	\$	2,856,918	\$ 107,165
	-		-		-	-
	3,077,975		3,192,293		3,192,293	-114,318
	395,802		319,200		319,200	76,602
\$	6,437,860	\$	6,368,411	\$	6,368,411	\$ 69,449
\$	4,121,496	\$	3,989,000	\$	4,166,000	\$ 44,504
	1,603,180		1,687,260		1,687,260	84,080
	290,747		299,000		299,000	8,253
	378,483		361,355		434,355	55,872
\$	6,393,906	\$	6,336,615	\$	6,586,615	\$ 192,709
\$	43,954	\$	31,796	\$	-218,204	\$ 262,158
	473,265		292,468		292,468	180,797
\$	517,219	\$	324,264	\$	74,264	\$ 442,955

Nashua-Plainfield Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis of accounting.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$250,000.

Other Supplementary Information

Nashua-Plainfield Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2004

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
Assets					
Cash and pooled investments	\$ 65,675	\$ 72,421	\$ 82,484	\$ 51,755	\$ 272,335
Receivables:					
Property Tax:					
Delinquent	1,159	-	1,740	-	2,899
Succeeding year	75,000	-	100,645	-	175,645
Accounts	-	-	-	16,744	16,744
Accrued interest	10	88	15	15	128
Total Assets	\$ 141,844	\$ 72,509	\$ 184,884	\$ 68,514	\$ 467,751
Liabilities & Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ 710	\$ -	\$ 21,214	\$ 21,924
Inter-fund payable	-	283	-	-	283
Deferred Revenue:					
Succeeding year property tax	75,000	-	100,645	-	175,645
Total Liabilities	\$ 75,000	\$ 993	\$ 100,645	\$ 21,214	\$ 197,852
Fund Equity:					
Reserved	\$ -	\$ -	\$ -277	\$ -	\$ -277
Unreserved fund balances	66,844	71,516	84,516	47,300	270,176
Total Fund Equity	\$ 66,844	\$ 71,516	\$ 84,239	\$ 47,300	\$ 269,899
Total Liabilities and Fund Equity	\$ 141,844	\$ 72,509	\$ 184,884	\$ 68,514	\$ 467,751

See accompanying independent auditor's report.

Nashua-Plainfield Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds**

Year Ended June 30, 2004

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
Revenues:					
Local Sources:					
Local tax	\$ 74,006	\$ -	\$ 111,371	\$ -	\$ 185,377
Other	1,258	285,760	74	171,816	458,908
State sources	74	-	111	-	185
Federal sources	-	-	79,198	-	79,198
Total Revenues	\$ 75,338	\$ 285,760	\$ 190,754	\$ 171,816	\$ 723,668
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 11,536	\$ -	\$ 25,536	\$ -	\$ 37,072
Special instruction	-	-	-	-	-
Other instruction	-	257,504	-	-	257,504
Support Services:					
Student support services	12,358	-	-	-	12,358
Administration services	1,359	-	-	-	1,359
Operation & maintenance of plant services	39,726	-	-	-	39,726
Transportation services	13,961	-	55,995	-	69,956
Non-instructional programs	1,910	-	-	-	1,910
Other Expenditures:					
Facilities acquisition	-	-	46,045	107,262	153,307
Total Expenditures	\$ 80,850	\$ 257,504	\$ 127,576	\$ 107,262	\$ 573,192
Excess (deficiency) of revenues over (under) expenditures	\$ -5,512	\$ 28,256	\$ 63,178	\$ 64,554	\$ 150,476
Other financing sources (Uses):					
Operating transfers in	\$ -	\$ -	\$ 17,254	\$ -	\$ 17,254
Operating transfer out	-	-	-	-17,254	-17,254
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 17,254	\$ -17,254	\$ -
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	\$ -5,512	\$ 28,256	\$ 80,432	\$ 47,300	\$ 150,476
Fund balances beginning of year, as restated	72,356	43,260	3,807	-	119,423
Fund balances end of year	\$ 66,844	\$ 71,516	\$ 84,239	\$ 47,300	\$ 269,899

See accompanying independent auditor's report.

Nashua-Plainfield Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Drama & speech	\$ 2,407	\$ 2,883	\$ 4,168	\$ -	\$ 1,122
Vocal music	2,125	2,969	2,391	-	2,703
Instrumental music	-1,365	2,836	1,450	-	21
Golf	118	107	204	-	21
Basketball	330	23,572	19,996	-	3,906
Football	300	12,603	10,161	-	2,742
Baseball	557	311	454	-	414
Track	939	9,173	6,751	-	3,361
Wrestling	440	25,665	25,594	-	511
Volleyball	465	3,975	3,891	-	549
Softball	423	4,666	4,681	-	408
Annual fund	-3,878	15,145	10,758	-	509
Annual pictures	554	-	465	-	89
FFA	3,650	21,501	21,717	-	3,434
Science Club	526	-	-	-	526
Student Council	3,586	12,534	14,944	-	1,176
FHA	254	5,464	5,757	-	-39
FSC-STW	798	729	361	-	1,166
Cheerleaders	899	830	1,722	-	7
Honor Society	222	110	265	-	67
National FFA Conference	3,071	23,715	20,590	-	6,196
TAG	1	-	-	-	1
French Club	176	-	-	-	176
Future Teachers	346	-	-	-	346
Secondary Teachers	841	990	1,071	-	760
S.A.D.D./Stay-Safe/S.H.A.R.E.	1,744	350	40	-	2,054
Elementary Teachers	865	1,358	1,574	-	649
Science Trip	2,247	-	-	-	2,247
Technology	460	814	341	-	933
Art store	370	-	-	-	370
Student pictures	1,032	251	1,052	-	231
Adult education	135	-	-	-	135
Interest received	289	955	-	-	1,244
Class of 2003	1,704	-	1,704	-	-
Class of 2004	1,674	1,746	3,266	-	154
Class of 2005	909	10,878	7,831	-	3,956
Class of 2006	833	255	267	-	821
Class of 2007	650	-	-	-	650
Class of 2008	120	195	-	-	315
Class of 2009	-	133	-	-	133
Elementary Technology	2,401	11,453	11,865	-	1,989

Nashua-Plainfield Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Petty cash	\$ 150	\$ -	\$ -	\$ -	\$ 150
General athletics	-4,982	2,710	-2,249	-	-23
Nashua Elementary activities	2,162	2,630	2,407	-	2,385
Athletic store	1,362	19,313	16,788	-	3,887
Elementary student store	667	1,627	862	-	1,432
High School student store	2,834	3,152	5,549	-	437
Nashua Elementary playground equipment	384	-	-	-	384
Middle School music	130	24	152	-	2
Middle School Student Council	1,391	6,732	8,120	-	3
Middle School technology	1,727	9,532	8,459	-	2,800
Middle School activities	3,354	22,247	25,164	-	437
Plainfield Elementary	863	2,069	1,944	-	988
Character Counts	-	2,150	1,355	-	795
Corn Bowl Conf	-	15,408	3,622	-	11,786
Total	\$ 43,260	\$ 285,760	\$ 257,504	\$ -	\$ 71,516

Nashua-Plainfield Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Three Years

	Modified Accrual Basis		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Local Sources:			
Local tax	\$ 1,999,609	\$ 2,135,003	\$ 1,849,483
Tuition	144,401	164,169	151,870
Other	654,053	412,560	438,022
Intermediate sources	-	-	-
State sources	3,073,520	3,129,324	3,205,898
Federal sources	274,898	167,284	166,544
Total	<u>\$ 6,146,481</u>	<u>\$ 6,008,340</u>	<u>\$ 5,811,817</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 2,743,482	\$ 2,588,337	\$ 2,784,864
Special instruction	779,077	694,763	728,793
Other instruction	598,937	547,057	540,118
Support services:			
Student services	208,976	200,514	194,110
Instructional staff services	54,679	104,716	132,109
Administrative services	565,325	540,799	503,647
Operation and maintenance of plant services	456,516	645,898	503,647
Transportation services	310,144	294,765	286,982
Community services	7,540	8,643	11,728
Non-instructional programs	1,910	1,668	1,481
Other expenditures:			
Facilities acquisition	153,307	-	3,978
AEA flow-through	225,176	240,251	241,544
Total	<u>\$ 6,105,069</u>	<u>\$ 5,867,411</u>	<u>\$ 5,933,001</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance
And on Internal Control over Financial Reporting**

Keith Oltrogge CPA
201 East Main Street
Denver IA 50622

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of
Nashua-Plainfield Community School District:

I have audited the financial statements of Nashua-Plainfield Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated August 18, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Nashua-Plainfield Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for item II-K-04.


Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Nashua-Plainfield Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, none of the reportable conditions described above are considered to be a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Nashua-Plainfield Community School District and other parties to whom Nashua-Plainfield Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Nashua-Plainfield Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Keith Oltrogge", is centered within a light blue rectangular box.

Keith Oltrogge
Certified Public Accountant

August 18, 2004

Nashua-Plainfield Community School District

Schedule of Findings

Year Ended June 30, 2004

Part I – Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the cash receipts listing, bank deposits, and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstance, the most effective controls lie in (1) the administration's and the board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response – We will work on segregating duties whenever possible.

Conclusion – Response accepted.

Nashua-Plainfield Community School District

Schedule of Findings

Year Ended June 30, 2004

Part II - Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - Official Depositories have been approved by the District. The maximum deposit amounts approved were exceeded during the year ended June 30, 2004.

Recommendation – The District approved the First State Bank as a depository, but never set a depository limit. The District should set a limit sufficient to cover all funds in all banks in a new resolution.

Response – We will do this.

Conclusion – Response accepted.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004 did not exceed the amounts budgeted..

II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title & Business Connection	Transaction Description	Amount
Nashua Welding, Owned by Spouse of Gail Zwanziger, Board Member	Repairs	\$2,341
Cedar View Orchard, Owner Deb Thoe, Board Member	Purchases	\$654
Lynn Lantow, Employee	Purchased pickup with Board approval	\$3,000

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-G-04 Board Minutes – The minutes record was examined and appeared to give a condensed account of business transactions by the Board. No transactions were found that I believe should have been approved in the Board minutes but were not.

II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.

II-K-04 Financial Condition –The Student Activity Account had two deficit accounts at June 30, 2004.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate the deficits in the student activity account at the end of the fiscal year. There were three accounts with deficit balances at June 30, 2003.

Conclusion – Response accepted.